



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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Michael O. Leavitt  
Governor

Lowell P. Braxton  
Division Director

October 14, 1998

Ken Done  
Kennecott Utah Copper Corporation  
8315 West 3595 South  
P.O. Box 6001  
Magna, Utah 84044

Re: Update of Reclamation Surety, Kennecott Utah Copper, 4th Line Expansion Project, M/035/002, Salt Lake County, Utah

Dear Mr. Done:

On September 16, 1998, the Division accepted new replacement sureties for three of Kennecott's sureties (Bingham Canyon Mine -UCD Modernization Project, the Hidden Treasure Exploration Project, and the Barney's Canyon Gold Mine). The Division honored Kennecott's request that the replacement bonds for these three operations remain at the same dollar amount as currently held by the Division, because we were only half way through the normal 5-year period for surety re-evaluation.

The Bingham Canyon Mine - 4th Line Expansion project was due to be re-escalated in 1997. As this surety is past due for re-escalation, the Division advised Kennecott that this reclamation surety would have to be updated to reflect the current year dollars and then escalated five years into the future (2003 dollars). Attached is a copy of the surety estimate update. The surety has changed from the last update from \$5,300,000 to \$6,372,000. Please provide the replacement surety within 60 days from the date of this letter. Enclosed is a surety bond form (MR-5) for your convenience. If you wish to submit another form of surety, please advise so we can provide you with the correct form. We will also need an updated Reclamation Contract completed to accompany the new surety (form MR-RC enclosed).

Thank you for your cooperation. If you have any questions regarding this letter, please contact me at (801) 538-5286 or Tony Gallegos at 538-5267.

Sincerely,

D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb  
Attachment: Surety Estimate Update  
Enclosure: MR-RC & MR-5 forms  
cc: Jack Welch, KUCC  
M35011.sur

0004

# SURETY ESTIMATE UPDATE

KENNECOTT UTAH COPPER

4TH LINE

M/035/011

SALT LAKE COUNTY

Prepared by Utah Division of Oil, Gas & Mining

Last Update 10/14/98

## DESCRIPTION:

- Previous reclamation surety estimate was \$5,300,000 in year 1997 dollars
- Reclamation Estimate base amount calculated in 1992-\$ was \$4,930,000
- This update adjusts the surety amount for escalation only.*
- The 1992-\$ total is escalated to 1998-\$ using the actual escalation factors shown
- The 1998-\$ figure is escalated five years forward to the year 2003-\$
- Escalation factors through 1997 are actual Means Historical Cost Indices
- Total disturbed area = 168 ACRES

CALCULATIONS		ESCAL	BOND
$F = P(1 + i)^{**n}$	YR	FACTOR	AMOUNT
	1991	0.0127	\$0
	1992	0.0221	\$4,930,000
	1993	0.0261	\$5,058,673
	1994	0.0321	\$5,221,056
	1995	0.0193	\$5,321,823
F = Future Sum	1996	0.0242	\$5,450,611
P = Present Sum	1997	0.0236	\$5,579,245
i = Escalation Factor	1998	0.0224	\$5,704,220
n = number of periods	1999	0.0224	\$5,831,995
	2000	0.0224	\$5,962,632
Three Yr Average = 2.24%	2001	0.0224	\$6,096,195
Used to Project 5 Yrs	2002	0.0224	\$6,232,749
From the Year 1998	2003	0.0224	\$6,372,363

**Updated Surety Amount Rounded (2003-\$) \$6,372,000**

\*\* Average cost per acre = \$37,929 (\$/ACRE)